

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----151033Z 088017 /14

R 150724Z APR 77
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 3281
INFO AMCONSUL DHAHRAN
AMEMBASSY JIDDA
USLO RIYADH
AMEMBASSY ABU DHABI
AMEMBASSY ATHENS
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY ROME
AMEMBASSY TAIPEI

C O N F I D E N T I A L SECTION 1 OF 2 SEOUL 3075

EXDIS

EO 11652: GDS
TAGS: ELAB PFOR EGEN BGEN SA KS
SUBJ: LIMITS ON SAUDE IMPORT OF KOREAN LABOR

REF: (A) JIDDA 2012, (B) ROME 4511, (C) DHAHRAN 0440

BEGIN SUMMARY (LIMITED OFFICIAL USE): INVESTIGATION
BY EMBOFFS STIMULATED BY FIRST TWO REFTELS SUGGESTS THAT
CONTRADICTORY POLICIES ARE BEING FOLLOWED BY DIFFERENT
AGENCIES OF THE ROK GOVERNMENT INVOLVED IN THE SUPPLY
OF KOREAN CONSTRUCTION LABOR TO THIRD COUNTRY EMPLOYERS.
POLICY MUDDLE COULD BE DELIBERATE ATTEMPT TO COVER
COORDINATED "VISAS FOR KOREAN WORKERS FOR KOREAN
COMPANIES ONLY" POLICY BY ROKG WITH PARTICIPATION OF
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SAG OFFICIALS AND KOREAN CONSTRUCTION FIRMS BUT
PROBLEM MIGHT JUST AS WELL REFLECT ACTIVITIES INVOLVING
LATTER TWO ALONE. CASE HAS OBVIOUS POTENTIAL FOR
ADVERSE PUBLICITY WHICH EMBASSY PROPOSES TO POINT
OUT TO ROKG, IN THE BELIEF THEY WILL FIND MEANS TO
CEASE THIS PRACTICE. END SUMMARY (END LIMITED OFFICIAL USE)
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1. ON THE BASIS OF FIRST TWO REFTELS, EMBASSY LABOR AND COMMERCIAL OFFIERS SUCCESSIVELY VISITED DEPUTY DIRECTOR GENERAL OF THE ROK OFFICE OF LABOUR AFFAIRS (OLA) AND KOREAN OVERSEAS DEVELOPMENT CORPORATION (KODCO) DIRECTOR, AS WELL AS INTERNATIONAL CRAFTSMANSHIP DEVELOPMENT ASSOCIATION (ICDA) PRE-SIDENT TO DISCUSS THE KOREAN POLICY ON SUPPLY OF LABOR TO AMERICAN FIRMS SUCH AS L.E. MYERS (LEM). ALL OF THOSE ORGANIZATIONS, WHICH ARE THE CHAIN THROUGH WHICH KOREAN WORKERS ARE RECRUITED, TESTED, THRAINED, AND ACCREDITED FOR OVERSEAS EMPLOYMENT, DESCRIBED THEIR POLICY GUIDELINES AS DEDICATED TO THE WIDEST POSSIBLE EMPLOYMENT AND MAXIMUM RETURN OF FOREIGN EXCHANGE TO KOREA FROM OVERSEAS WORKER REMITTANCES, AS WELL AS IMPROVING THE WELFARE AND WAGE SCALES OF KOREAN WORKERS WHILE RELIVEING CHRONIC UNDEREMPLOYMENT IN KOREA. THEY REGARD MR. TURNER OF LEM HIGHLY, AND WELCOME HIS ACTIVITIES, AS WELL AS THE HIGH WAGE SCALE AND BENEFITS HIS FIRM IS PREPARED TO OFFER KOREAN WORKERS. DEP DIR GEN STATED THAT THE LEM RECRUITMENT OF ELECTRICAL TRANSMISSION WORKERS HAD BEEN APPROVED BY OLA AND HE WAS UNAWARE OF ANY PROBLEMS. HE OBSERVED THAT DURING 1976 THERE HAD BEEN ONLY THE CHARGE IN THE SAUDI EMBASSY HERE WHO HAD BEEN REQUIRED TO APPROVE ABOUT 18,000 VISAS AND PERHAPS ANY DELAY COULD BE ATTRIBUTED TO WORK OVERLOAD. HE NOTED THAT A VISA OFFICER HAD BEEN ASSIGNED RECENTLY AND VISAS SEEMED TO BE GOING THROUGH ROUTINELY. HE ALLUDED TO DIFFERENCES WITH THE MINISTRY OF CON-
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STRUCTION ON THE QUESTION OF HOW MANY FOREIGN WORKERS SHOULD BE PERMITTED TO GO TO THIRD COUNTRY FIRMS ABROAD AND READILY ENCOURAGED EMBOFFS TO CALL THEATTENTION OF ECONOMIC PLAN-ING BOARD (EPB) AND MINISTRY OF FOREIGN AFFAIRS (MOFA) OFFICIALS TO THE POSSIBILITY THAT KOREAN FIRMS MIGHT HAVE BEEN ATTEMPTING TO INFLUENCE THE ISSUANCE OF VISAS BY SAG. KODCO AND ICDA DIRECTORS ALSO RECOMMENDED DISCUSSION WITH EPB AND MOFA.

2. EMBOFF THEN VISITED ASSISTANT MINISTER OF EPB IN COMPANY OF THE BUREAU DIRECTOR FOR THE MIDDLE EAST. UNFORTUNATELY, ASST MIN WAS CALLED AWAY FROM THE MEETING ON AN URGENT MATTER SO THAT MOST OF THE CONVERSATION WAS WITH THE BUREAU DIRECTOR WHO DENIED THAT ANYONE IN THE KOREAN GOVERNMENT WOULD HAVE REQUESTED SAG NOT TO ISSUE VISAS TO KOREAN WORKERS AUTHORIZED TO REQUEST THEM. HE ACKNOWLEDGED THAT A SINGLE CONTRACT LIKE THAT OF LEM WOULD BRING ROUGHTLY 12 MILLION DOLLARS HERE IN WORKER REMITT-ANCES AND THAT DENIAL OF A NUMBER OF SUCH CONTRACTS COULD UNDERCUT KOREA'S EFFORTS TO EARN AS MUCH FOREIGN EXCHANGE AS

POSSIBLE. HE RECOMMENDED THAT EMBOFF TALK TO THE KEY FIGURE AT MOFA WITH REGARD TO OVERSEAS LABOR MATTERS AS WELL AS KOREAN RELATIONS WITH THE SAUDI EMBASSY.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----151035Z 087884 /14

R 150724Z APR 77
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TO SECSTATE WASHDC 3282
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AMEMBASSY JIDDA
USLO RIYADH
AMEMBASSY ABU DHABI
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3. EMBOFF REVIEWED PRECEDING CONVERSATIONS AT MOFA AND ATTEMPTED TO MAKE THE POINT THAT SUCH CONTRACTS WERE IMPORTANT TO KOREA FOR BALANCE OF PAYMENTS REASONS AND THAT THE ANSWER TO AVOIDING OUTBREAKS SUCH AS THAT REPORTED FIRST REFTEL WAS TO "BASE UP" THE WAGES OF WORKERS EMPLOYED BY KOREAN FIRMS RATHER THAN TO DENY KOREAN WORKDERS TO AMERICAN FIRMS. EMBOFF SPECULATED THAT KOREA WOULD RETAIN ITS COMPARATIVE ADVANTAGE IN ANY EVENT BECAUSE IT WOULD STILL BE ABLE TO MAINTAIN ITS COST EDGE IN QUALITY, RELIABILITY, AND TIMELY COMPLETION OF CONSTRUCTION PROJECTS. EMBOFF, NOTING RIOT FIRST REFTEL, AND INTEREST OF US CORPS OF ENGINEERS AS SAG AGENTS, ALLUDED TO THE POSSIBILITY THAT KOREAN FIRMS LIKE HYUNDAI MIGHT BE GUILTY OF MAINTAINING WORKER DISCIPLINE BY THE USE OF GOOD SQUADS, OR PERHAPS LURING WORKERS TO THE MIDDLE EAST WITH PROMISES THAT DON'T MATERIALIZE
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AT THE WORK SITES.

4. IN RESPONSE, MOFA SOURCE SAID THAT THE ROKG WOULD NOT HAVE ASKED THE SAG TO LIMIT VISAS BECAUSE SAG IS SOVEREIGN AND WOULD AS IT PLEASED. SECONDLY, HE SAID THAT IT WOULD BE "IMPOSSIBLE" FOR A KOREAN COMPANY EFFECTIVELY TO MAKE SUCH A REQUEST OF THE SAG FOR SAME REASON. AFTER ASKING THE MEANING OF "GOON," HE SAID THAT NO ONE WAS BEING COERCED TO GO TO THE MIDDLE EAST AND THAT HE DID NOT BELIEVE THAT GOON SQUADS WOULD BE EMPLOYED BY HYUNDAI OR THAT WORKERS ON THE SPOT WOULD BE DENIED WHAT THEY HAD BEEN PROMISED BEFORE DEPARTURE. HE CONFIDED THAT "YOU CAN TELL YOUR PEOPLE THAT HYUNDAI HAS BEEN SEVERELY WARNED." DISCUSSION THEN TURNED TO THE OPERATIONS OF THE INTER-AGENCY COMMITTEE WHICH PASSES ON LABOR CONTRACTS AND MOFA SOURCE VOLUNTERED THAT "WE" ARE BECOMING CONCERNED WITH THE SUPPLY OF SKILLED LABOR TWO OR THREE YEARS FROM NOW AND HAVE BEGUN TO SCREEN THIRD COUNTRY LABOR CONTRACTS CAREFULLY TO ASSURE THAT THEY WILL NOT DRY UP SPECIFIC SKILLED LABOR POOLS BEFORE TRAINING INSTITUTIONS COULD SUPPLY REPLACEMENTS. HE SIGHED THAT "WE CANNOT ACT IN A MANNER WHICH WILL RAISE THE COST OF LABOR TO KOREAN COMPANIES TO THE POINT WHERE THEY LOSE THEIR COMPETITIVENESS." HE THEN COUNSELED EMBOFF THAT "WE ARE TALKING ABOUT THE TURNING POINT OF KOREAN HISTORY. IF WE SUCCEED IN OUR FIVE YEAR PLAN AND IN OUR OVERSEAS CONSTRUCTION PROGRAM, WE WILL NEVER HAVE TO WORRY ABOUT THE NORTH OR EVEN THE PRESENCE OF US FORCES TO HELP DEFEND US. OUR ECONOMIC DEVELOPMENT WILL BE STABILIZED. PLEASE DON'T FORGET THAT."

5. EMBASSY COMMENT: WITHIN THE PAST MONTH, THE BUREAU DIRECTOR FOR ECONOMIC COOPERATION AT THE MINISTRY OF CONSTRUCTION HAS BEEN SACKED FOR BEING TOO CLOSELY ACCOMMODATING TO KOREAN OVERSEAS CONSTRUCTION FIRMS, AND THE MINISTER OF CONSTRUCTION HAS PUBLICLY WARNED THE MEMBERSHIP OF THE OVERSEAS CONSTRUCTION ASSOCIATION THAT THEY WILL BE SUBJECT TO RECALL FROM OVERSEAS AND PERHAPS DENIAL OF DOMESTIC CONSTRUCTION CONTRACTS IF THEY DO NOT IMPROVE OVERSEAS WORKER WELFARE BECAUSE OUTBREAKS OF

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WORKER DISPUTES DISHONOR KOREA'S IMAGE ABROAD. HOWEVER, ACTUAL ROKG POLICY ON DISPATCH OF WORKERS TO THIRD COUNTRY CONSTRUCTION COMPANIES REMAINS AMBIGUOUS AND MOFA SOURCE WAS OBVIOUSLY STONE-WALLING. AS TO THE QUESTION OF WHO IS PLACING THE OBSTACLES, EMBASSY UNDERSTANDS THAT FAIRLY WIDESPREAD RUMOR AMONG US FIRMS IN MIDDLE EAST HAS IT THAT SUCCESSFUL BIDDERS MUST PAY COMMISSIONS UP TO 10 PERCENT TO SAUDE PRINCELINGS WHO HAVE, OR CLAIM TO HAVE, INFLUENCE OVER CHOICE OF CONTRACTORS. IF SO, CONCLUSION

INESCAPABLY ARISES THAT CONSTRUCTION FIRMS COULD ALSO INFLUENCE
SAG VISA ISSUANCE.

6. BECAUSE OF PROBABLE LABOR EXPLOITATION AND BRIBERY, CASE HAS
POTENTIAL FOR HIGHLY ADVERSE PUBLICITY FOR KOREAN COMPANIES AND
THE ROKG. IF DEPT PERCEIVES NO OBJECTION, WE PLAN TO MAKE THESE
POINTS PARTICULARLY TO HYUNDAI AND TO OUR MOFA AND CONSTRUCTION
MINISTRY CONTACTS. WE BELIEVE THEY WILL BE PERSUADED AND CAN
FIND MEANS TO HELP SOLVE LEM'S PROBLEM.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SEOUL03075
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770131-0524
Format: TEL
From: SEOUL
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Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 JIDDA 2012, 77 ROME 4511, 77 DHAHRAN 440
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2792549
Secure: OPEN
Status: NATIVE
Subject: LIMITS ON SAUDE IMPORT OF KOREAN LABOR
TAGS: ELAB, PFOR, EGEN, BGEN, SA, KS, CORPS OF ENGINEERS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/2fe098a4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009